

Statement of the finance minister in parliament on Padma Bridge Project

Mr. Speaker

1. We have been discussing issues surrounding the construction of Padma Bridge over the last four years. In fact, the demand for the construction of Padma Bridge grew stronger in 1990s when it became evident that construction of Jamuna Bridge was possible. The Grand Alliance Government led by the Bangladesh Awami League pledged in their election manifesto that the construction of Padma Bridge would receive special priority among other pledges. On 30th June, it was made public that the World Bank has cancelled the loan agreement on the Padma Bridge. The reason attributed was that there were perceived possibilities of corruption in the implementation process of the Bridge project and the negotiation with the government in this regard fell through.

2. As the Parliament is now in session, we have decided that the position of the Government of Bangladesh on this issue should be explained before the House. In my immediate response on Saturday (30th June) last, I pointed out that the statement of the World Bank is not acceptable and the allegation that Bangladesh Government did not take appropriate action against corruption is also not correct. Yesterday, I made a brief statement before a press conference and produced some relevant documents to bring to an end the misleading propaganda on this subject.

3. The ECNEC approved a project proposal worth Tk. 10,000 crore back in 2007 to construct the Padma Bridge. And since then the work for the project implementation began. The past Caretaker Government initiated the design work of the project with the financial assistance of the Asian Development Bank. In January 2009, our government decided to take forward the agenda and took a decision to appoint a consulting firm for the design work. And the implementation kicked off in February. Engineering feasibility study was completed by the year-end. Then we sought assistance from the project from the development partners. We concluded loan agreements worth US\$2.3 billion with four development partners (DP) in early 2011. An agreement for US\$1.2 billion was signed with the World Bank on 28 April, 2011. Loan agreements were also signed with the JICA on 18 May for US\$ 415 million, with the IDB on 24 May for US\$ 140 million and with ADB on 6 June for US\$ 615 million. It was estimated at that time that the project would cost around US\$ 2.90 billion (around Tk. 20,000 crore as per the existing exchange rate).

4. We have been maintaining a congenial relationship with the World Bank (WB) for more than 40 years as this institution started financing different development programmes in this region even before the emergence of Bangladesh. We became a member of the World Bank in 1972 and till June 2012, we have received US\$ 16.80 billion as financial assistance from the Bank. We received US\$ 3.10 billion from the Bank in FY 2011 which was the highest quantum of assistance for any particular year. Currently, the World Bank is financing 41 projects/programmes worth US\$ 4.23 billion. These projects/programmes are at various stages of implementation. We also received commitments for US\$ 1.55 billion from the World Bank in FY 2012. In fact, the World Bank is the largest financier among the development partners. In this long journey with the World Bank, we had differences of opinion, but, eventually, we found the Bank a progressive and close associate. At times, the World Bank did not approve our procurement or expenditure proposals for different projects and also decreased or increased their level of assistance to differ-

ent projects.

5. In 2001, the World Bank created a new department called Integrity Vice-Presidency. The main responsibility of this department is to ensure integrity in the Bank's activities. They can investigate corruption in any World Bank financed project and can also impose penalty. They blacklisted various firms many a time. They also requested the relevant country to take actions on specific corruption cases. Besides, this department is also tasked to investigate the World Bank activities or instances of corruption committed by the Bank officials. They have so far found some elements of corruption in seven projects in Bangladesh which I have informed the House through my winding up speech delivered on 27 June this year. These projects are: (1) Dhaka By-pass (Kadda-Joydevpur-Debugram-Bhulta-Madanpur) Road Construction Project, (2) Dhaka Urban Transport Project, (3) Nalka-Hatikmura-Banpara Project, (4) Debugram-Pargati-Sarani Link Road Project, (5) Meghna and Meghna-Gomati Toll Plaza Project, (6) 3rd Pilot Project on Reducing Traffic Congestion in Dhaka City and (7) Post-literacy and Continuing Education in Human Development Project. Corruption took place in these projects during the rule of Four Party Alliance. In the case of these projects, the WB requested us to investigate corruption and punish the corrupt officials. The number of such projects, financed by the World Bank, was only six before the Padma Bridge and the other one was JICA assisted project. Of which, six projects belonged to the roads and highways sector. For this reason, the World Bank decided in FY 2007-08 to stop financing any project under the roads and highways sector. It needs to be stated that, the DFID also suspended their assistance to this sector due to widespread corruption in the roads and highways department.

6. Immediately after our assumption of office, we requested the World Bank to change their position and the Bank expressed interest to finance the Padma Bridge project towards the end of 2010. The level of corruption soared to such a high proportion during the BNP-Jamaat regime that many reputed companies refrained from participating in different bidding processes in Bangladesh. This situation changed for the first time in the power sector when we found that companies like General Electric have come to Bangladesh again for doing business. Probably, this encouraged the World Bank to come forward to finance the Padma Bridge. In view of the interest showed by the World Bank and the size of their assistance, we requested them to assume a lead role among the development partners in implementing the project. We accepted the World Bank as the lead agency among all development partners of equal status even though we gave them the role of development coordinator. All development partners agreed to this arrangement.

7. Bangladesh floated tender for the bridge construction in April, 2010 with the consent of the development partners. When we sent our recommendation to the World Bank after evaluating the tenders, they advised to reconsider the bid of a particular bidder and informed us later that we should go for fresh bidding as some changes have been made in the engineering design of the bridge. Having discussed with the design engineer, the development partners advised us to adopt rake piling technology for this project. For this reason, we accepted their recommendations and went for rebidding in October 2010 stipulating the condition that the bidders must have working experience with this new

design. We prequalified five bidders and sent our recommendation to the World Bank in March, 2011. Without raising any objection against these firms they repeatedly advised us to prequalify a Chinese company named CRCC. This advice was not accepted by our evaluation team comprised of specialists. The Bridge Division informed after an inquiry that CRCC never applied for reconsideration and its Bangladeshi partner named Ventura International Limited resorted to fraudulent practice in this connection. This scheming firm established an office in China and applied for reconsideration in the name of CRCC. On coming to know this, CRCC informed in writing that they are not interested in this project. At the same time, they severed partnership with Ventura International Limited. The owner of the Ventura International Limited is right now absconding. The World Bank went on repeatedly recommending the CRCC without examining properly the objection raised by CRCC. As a result, the project implementation was delayed by three months. We don't know whether the World Bank has taken any action against those who were connected in this scam.

8. In the month of April, two representatives from the Integrity Office of the World Bank came to Dhaka and investigated the allegations against the Padma Bridge Project. They met with a group of businessmen and spread indecent rumors in this connection. In this meeting, an official named Howard Dean lodged a complaint of corruption against a respectable person. One of the members present in that gathering protested firmly and requested him to refrain from spreading this kind of story. He also challenged him and asked him to show evidence in support of this allegation. In the end, the World Bank official withdrew his comments and begged pardon. We informally informed the World Bank of this incident. However, we are still in the dark whether the World Bank has taken any action or commissioned any inquiry in this connection.

9. The World Bank informally informed us last August that an investigation is being conducted in Canada against a Canadian company named SNC-Lavalin which submitted a tender for supervision consultancy for the construction of the Bridge. For this and some other reasons, the World Bank expressed the intention to postpone the loan disbursement for Padma Bridge Project. The Vice President of Asia region of the World Bank made a sudden visit to Bangladesh in September and informed us that some irregularities have been found not only in the process of appointing consultant for construction but also in the selection procedure of the construction firms. He also informed that the detailed document will be sent soon. At that time, he also put forward a confidential proposal to the Hon'ble Prime Minister in my presence to overcome the crisis.

10. I visited Washington D.C. to attend the annual meeting of the World Bank at the end of September and the Hon'ble Prime Minister went to New York to participate in the General Assembly of the United Nations. On 21 September, the World Bank handed over to me a letter and also a report as promised. I told them verbally that I would discuss the matter with the Hon'ble Prime Minister on my return to Dhaka and convey our response to the World Bank. I also informed that we would refer this issue to the Anti-Corruption Commission and at the same time we could also blacklist SNC-Lavalin that had engaged in corrupt practices.

11. On my return to

Dhaka, I discussed the allegation with the Hon'ble Prime Minister and other relevant quarters and referred it immediately to the ACC for inquiry. Subsequently I came to know that ACC has taken up the corruption allegations on its own in July and started investigation as they appeared in the press. At that time, we thought that the Integrity Office starting from 2005 onwards never suspended the implementation of any project when they commissioned an inquiry; rather both the processes ran in parallel. Therefore, I informed the World Bank that we have started investigation into the allegation and the ACC is in touch with the Integrity Office. I proposed in my note to the World Bank that investigation and implementation of the project should be considered separately. I made some recommendations to take forward the implementation work. For example, (1) let there be an agreement with the IDB for construction of approach road from Jajira as they have approved the appointment of the contractor, (2) let us float tenders for construction of the bridge as the World Bank on behalf of the development partners has approved the pre-qualification of the construction firms, (3) let pre-qualification for construction of approach road from Mawa and river training be determined so that we can float tenders for these two items of work, (4) let a fresh pre-qualification list be prepared from among the bidders excluding SNC-Lavalin for supervision consultancy or let there be rebidding for this item.

12. Before I sent this proposal to the World Bank, one of our representatives visited Washington D.C. to discuss with the high officials of the World Bank as to how the possibility of corruption can be eliminated. He met with one of the Managing Directors of the WB, Vice President of South Asia and some other officials. Meanwhile, the Hon'ble Prime Minister considering the informal proposal of the WB introduced a new leadership in the Bridges Division of the Ministry of Communication. As a first step, the contract of the Project Director was terminated and a new secretary was appointed. Finally, the Hon'ble Prime Minister reshuffled the cabinet and changed the portfolio of the incumbent Communication Minister. The high officials of the WB were duly informed about these changes and discussed these issues with us and told us that they would let us know their position after consultation with the president of the World Bank. Subsequently, they informed us that our proposals and steps could not satisfy the WB and therefore, advised us to suspend the construction work of the Bridge until the Canadian investigation is completed. They also recommended that the investigation undertaken by the ACC should continue.

13. A few days later, the ACC sent their investigation report to the WB regarding the alleged irregularities in the tendering process. In the report, the ACC mentioned that they did not find any element of corruption in the tendering process, especially, it was reported that no involvement of the alleged SHACO Company was found. The WB advised the ACC to conduct further investigation in this matter but refused to furnish any evidence available with them as per their practice. We thought that the steps taken by us would be adequate to prevent any risk of corruption. It should be mentioned here that all the members of the expert committee constituted for this purpose including its chairman Professor Jamilur Reza Chowdhury are reputed for their honesty, integrity and professional skills. We could not unearth



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any evidence of influence on the committee.

14. Our discussion with the WB in this regard was continuing from December to April and it took place in Dhaka, Washington and all other places where we met the WB personnel. I believe that the WB President have never taken any of our proposals into cognizance. One of our representatives again visited Washington to discuss the matter but could not meet the WB President as he was otherwise busy. He kept on discussing the matter with other high officials of the WB. On 9 April, the Bank informed us that the investigation in Canada was at final stage and they had arrested two officials of SNC-Lavalin. One of these officials informed them that he, through some distinguished individual (whose identity was not made known to us), offered to give commission to some influential Bangladeshis if their firm was selected for the job. The Canadian authority confiscated the diary of this official and found a list like this. I preferred not making this list public as it would have assassinated the characters of those individuals. This list includes the names of politicians, bureaucrats as well as other individuals. Any writing in the diary would be credible evidence only when other proofs in support of the writing are found. In my opinion, the whole matter is based on 'possibility of corruption' which is called 'the conspiracy of corruption' by the World Bank. We wanted to blacklist the SNC-Lavalin company when such allegations were raised and thus it is unfair to complain that we tried to protect any corrupt individual. It should be noted that the ACC is continuing with their investigation and recently they contacted with the Canadian authority. They have also declared that they would continue the investigation despite the termination of the loan agreement.

15. In early June, a representative of the World Bank came to Dhaka on our invitation and openly discussed the allegation of corruption and other matters relating to the implementation of the project. We made it clear that the issues of investigation and project implementation must be segregated and should progress simultaneously. Finally, we were able to reach a consensus on the manner in which corruption can be combatted. We recommended the involvement of the development partners to ensure transparency and credibility at different stages of implementation of the project. After this discussion, the WB suggested us to take several steps in their note to the government some of which appeared in the media. These suggestions were also incorporated in the 30 June statement of the WB.

16. In this letter we have been asked to take steps on the following three matters. Such as (1) to send the officers on leave whose involvement was hinted in the diary of SNC-Lavalin official, (2) to constitute a special team in the ACC to investigate into the matter and (3) to keep the designated panel of the WB informed of the progress of the investigation and take their advice. The problem with these proposals was that we were forced to admit the corruption allegations before they were substantiated. Therefore, we did not accede to their proposal and resorted to other means to dispel their concerns. Their second proposal was

redundant as the ACC formed their investigation team much earlier. Their third proposal is in contravention with the existing laws of the ACC which is independent and is not bound to be guided by the dictates of any foreign agency. However, it is true that, we obtain prior approval of the DPs in all matters of foreign aided projects. The ACC, therefore, may consider the advice of the DPs when they conduct any investigation into this kind of projects. The ACC, giving due regard to this reality, worked out a mechanism in consultation with the expert groups of the WB. They agreed to send a letter to the WB detailing the manner in which they would circulate information, consider/act on advice and ensure the involvement of the development partners. What they basically meant was that they would receive advice from the DPs and share all information with them. Therefore, a panel can work on behalf of the development partners but the instructions must come from all the development partners or from their coordinator. Yesterday, the ACC made its stance clear in this connection.

17. I consider that the statement of the WB has humiliated the whole country and the allegation labeled against us is not well

founded. It is also not true that the Government of Bangladesh has not taken any appropriate action to avert corruption. I think we have considered courteously all the recommendations of the WB going well beyond our routine procedures. We also proposed on many occasions to give the WB wide opportunity to participate in the implementation procedure as well as in the investigation of corruption allegation on behalf of DPs. Moreover, we always kept the DPs informed in this regard and discussed with them our actions. In addition, we are continuing discussions with the other influential members of the WB. The WB wanted to sign a MOU with us on corruption. I consider it highly disgraceful. Instead, I informed them that this should also apply to the understanding that we reach with the DPs through formal correspondence. I firmly believe that the top management of the WB will appreciate our efforts to obviate the possibility of corruption. Probably, the outgoing President of the World Bank Mr. Robert Zoellick in an attempt to settle the issue in haste during his term has taken this imprudent decision which has shattered the image of Bangladesh. I am always an optimist and therefore, believe the WB will recon-

sider their decision. I also believe that the other development partners will duly assess the decision and the statement made by the WB and work out their position in this regard. Our representative in the WB executive board is continuing dialogue in this matter. Meanwhile, we are keeping in touch with other financiers.

18. The World Bank has disclosed all our important correspondences with them. However, for the sake of investigation and also as a mark of respect and trust to the Bank, I did not disclose any of their correspondences. I only corrected the misleading information that appeared in the media. My objective was to dispel the concern of the media surrounding this issue. Today, my statement before this august House is basically aimed at conveying this critical issue to the peoples' representatives and to the nation in clear and unequivocal terms. My personal opinion is that the way the WB has cancelled the agreement is procedurally flawed and by doing so they have tarnished our image. We have a long standing relationship with the WB which is based on mutual trust and respect and it is beneficial for both the parties. The WB simply cannot dent the image of a country and a nation based on unfounded allegations. We hope to reopen our

What price do we pay?

FROM PAGE 1

The World Bank was supposed to provide \$1.2 billion at an interest rate of 0.75 percent to be repaid in 40 years with a 10 year grace period. If the normal loan amortization schedule applied, the government would have had to pay \$249 million in interest in 40 years.

The ADB was supposed to provide \$539 million as Ordinary Capital Resource (OCR) for a period of 34 years with a grace period of 7 years. The interest application on this amount was LIBOR (London Interbank Offer Rate) plus one percent. LIBOR is the rate at which London banks offer loans to each other and this is an international method of calculating loans to others too. Since the six monthly LIBOR rate is currently 0.75 percent, the ADB's rate for its \$539 million was 1.75 percent. This means the government would have had to pay \$226 million in interest to ADB.

The ADB also wanted to provide another \$76 million as part of Asian Development Fund (ACF) for a period of 40 years with a grace period of 8 years. The interest rate here was 1 percent.

So the government would have to pay \$246 million in interest to the ADB on these two counts.

JICA's (Japan International Cooperation Agency) loan was \$400

million at a very soft rate of 0.10 percent. It was to be repaid in 40 years with a grace period of 10 years. So the government would have had to pay \$10 million to JICA. But that is not the whole story. Japan follows a very generous policy of converting the whole loan amount into grant once the loan is repaid. In other words, Japan's funding was virtually free.

Given these realities, had the Padma bridge project gone through, the government would have had to pay \$505 million in interest in 40 years.

Now, the government has been saying that Malaysia is interested in the bridge. In the first place, Malaysia itself is facing a fund crunch as many of its infrastructure projects are on hold. It was reported that Malaysian consortiums will arrange funds from Dubai. It only means it will have to arrange funds at commercial rates. And what are the commercial rates?

Bangladesh Petroleum Corporation (BPC) recently arranged \$200 million from three international banks and the best offer it could get was LIBOR plus 3.75 percent and that too with a sovereign guarantee. This is a best case situation and we can apply this to any commercial funds collected for the bridge.

The total amount that the WB, ADB and JICA

committed is \$2.215 billion. So if the government gets this amount at commercial rates, the interest rate will come to 4.75 percent (one year rate for LIBOR is slightly over 1 percent). At that rate, the government will have to pay a whopping interest amount of \$4.455 billion over 40 years! This is just double the principal amount we would get! The scene may change only if the Malaysian government provides concessionary funds of which we have not heard anything yet.

So now we can get a clear picture of the price we have to pay. If we could get the loans from the donors, the country would have had to pay \$505 million. But if we have to get commercial loans, the interest amount would be \$4.4 billion. This is exactly the price we have to pay for the alleged corruption of one minister, a few officials and some private citizens.

Not only that, the cancellation of the loan may have some long term impact on relations between Bangladesh and the World Bank. It was not only the government's single largest project, it was the bank's too in its 68 years of history. We are not even talking about our standing with other donors, business partners, present and potential investors.

SOCIAL MARKETING COMPANY

Re-Tender Notice for Procurement of Pharmaceutical Machinery

Sealed quotation are hereby invited for supply, installation, testing and commissioning of MultiMill, Vibro Sifter & Double Cone Blender for SMC factory at Bhaluka, Mymensingh only from reputed manufacturer or their authorized agents/distributors and contractors who have experience in satisfactory completion of Supply, Installation, Testing and Commissioning of Pharmaceutical equipments/machineries in Bangladesh.

Earnest money 1% of the total quoted amount must be submitted along with the offer in the form of Pay Order/Bank Draft from any scheduled bank in favor of Social Marketing Company without which the tender shall be rejected outright. Any Bank Guarantee from foreign Bank must be endorsed or authorized by a local Bank in Bangladesh in favor of "Social Marketing Company".

Interested bidders may apply to the undersigned in their letter head for Tender Schedule. Tender Documents will be issued on cash payment of Tk.500.00 (five hundred) only (non-refundable) on all working days (Sunday through Thursday) during office hours (8:30 a.m. to 5:15 p.m. with a break from 1:15 p.m. to 2 p.m.) from July 04, 2012 to July 25, 2012. No tender document will be issued after July 25, 2012.

Tender document along with bid bond is to be dropped on July 26, 2012 in the Tender box kept at 1st floor of SMC Tower, 33, Banani C/A, Dhaka-1213 from 08:30 a.m. to 3:00 p.m. Tenders will be opened on the same day at 3.15 p.m. in presence of the bidder if any. No Tender shall be received after the above mentioned date and time.

For any clarification regarding preparation and submission of Tender, the bidders may contact Factory In Charge or Head of Production, SMC and must make factory visit.

Social Marketing Company (SMC) reserves the right to accept or reject any or all the tenders without assigning any reasons whatsoever.



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